# MONTHLY REVIEW

## *Agricultural and Business Conditions*

TENTH FEDERAL RESERVE DISTRICT

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## *The Residential Building Industry*

DURING THE 13 YEARS from 1940 through 1952, nearly nine and a third million new nonfarm dwelling units were started in the United States. In terms of a simple annual average, this level of production suggests more starts than occurred in most earlier years. Yet the average is misleading. Reflecting the meager building of the war years and the strong postwar demand for housing, about 76 per cent of the total building was concentrated between 1946 and 1952, inclusive. More than one million units have been started each year since 1949, with the all-time high of 1,396,000 starts occurring in 1950. By way of contrast, 937,000 units were started in 1925, the prewar peak; in 1941, under the stimulus of an expanding defense economy, starts numbered just over 706,000.

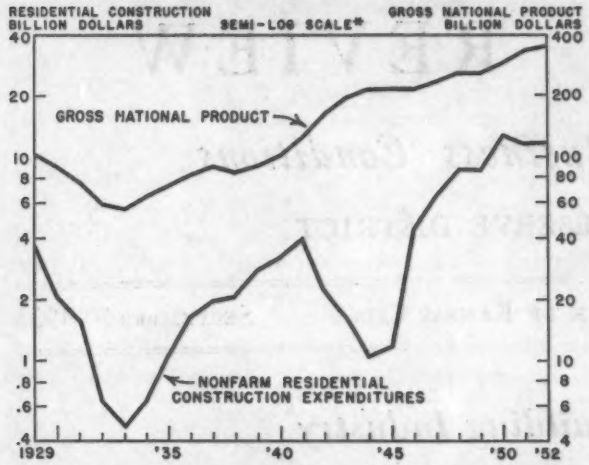
The record number of dwelling units started in 1950 represented a planned outlay of 11.4 billion dollars from private and about 370 million dollars from public funds. In addition to these outlays for new dwelling units, it is estimated that private individuals and groups spent nearly 1.1 billion dollars for residential additions and alterations and for nonhousekeeping units, together with another 3.1 billion dollars for residential maintenance and repairs. Although these last categories of expenditure represent important variables in the context of a different kind of investigation, they may be eliminated from a study which aims to disclose some recent developments in the industry supplying primarily new permanent nonfarm dwelling units. Since single-family units constitute the bulk of new construction, attention is concentrated on housebuilding as distinct from multiunit building.

As in the case of most industries during the postwar period, the attainment of record output came through widespread expansion in capacity. Although relatively few building firms became mass producers, most firms expanded their operations; and new builders entered the industry. With this growth came many changes—changes in the structure and organization of the industry, in costs, in product, and in methods of production. Prior to considering some salient developments in these areas, however, it is worth while to collect some insights into the background of the industry by reviewing its market characteristics and its past production performance.

**Production And Market Characteristics**

Comparisons with other production series point up a distinctive characteristic of residential construction activity—its wide fluctuations. Relative to Gross National Product, as shown in Figure 1, the rate of change in residential construction expenditures is rapid and the over-all movement is broad. This observation is underscored clearly by the rapid movement and wide swing of residential construction outlays from 1929 to 1933 to 1941, compared with changes in the value of the total output of goods and services. Skipping over the war period, during which building restrictions prevailed, attention again centers on the differential movement of the two series since 1946. Relative to other components of the construction industry complex, also, residential building exhibits broad fluctuations. Figure 2 depicts the movements in nonfarm residential and in nonresidential construction over the past 37 years. Although broadly similar, the two series display important differences. Wide swings in residential building outlays, relative to nonresidential construction expenditures, were prominent from 1921 to

Figure 1. NEW NONFARM RESIDENTIAL CONSTRUCTION EXPENDITURES AND GROSS NATIONAL PRODUCT

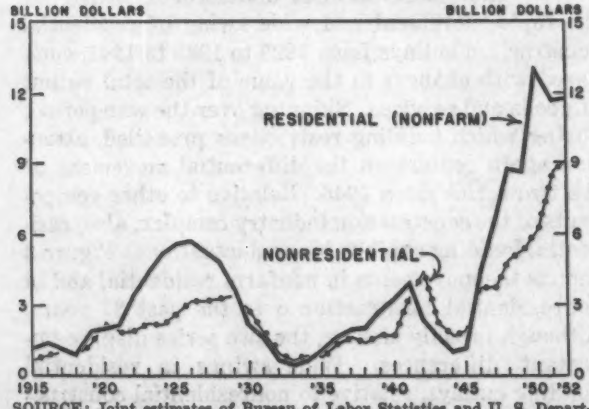



*On a semi-logarithmic graph, equal slopes indicate equal rates of change.
SOURCE: Bureau of Labor Statistics and U. S. Department of Commerce.

1925-26, from 1933 to 1941, and again from 1946 to the present.

What conditions govern this discernible instability in the output of the residential building industry? At least a partial answer is found in the basic conditions of demand and supply in the industry. The demand for new housing is subject to fluctuations which are among the most intense in our economy. Basically, this reflects the fact that, in common with other durable goods, the demand for new housing can be deferred. In the short run, an upward shift in demand, say from population growth, may be absorbed by existing vacant units, which are estimated "normally" to approximate 4 to 5 per cent of the existing inventory of dwelling units, or by the "doubling-up" of families. This is particularly likely during a period of depressed family incomes. With the return of more prosperous conditions, deferred demand then may contribute to a surge in the demand for new housing. Localism also is a characteristic of the demand for housing, and new houses, after erection, are not readily transportable. Consequently, builders, who at least in the past have tended to localize their building and, hence, their scale of operations, do not enjoy the possibility of distributing production to areas of more intense demand. (A more complete treatment of the factors influencing the demand for housing appeared in the March, 1953, issue of the *Monthly Review.*)

Figure 2. NEW NONFARM RESIDENTIAL AND NONRESIDENTIAL CONSTRUCTION EXPENDITURES




SOURCE: Joint estimates of Bureau of Labor Statistics and U. S. Department of Commerce.

Turning to supply, perhaps its most distinctive feature is derived from the competition of new housing with existing units. Because housing is extremely durable, the existing stock is numerically of overwhelming importance relative to annual production. During 1950, the year of peak building, the nearly 1.4 million new dwelling units added to the stock of existing housing amounted to an increase of only 3.5 per cent. By contrast, during the same year, which also was the peak for automobile output, new production amounted to nearly 17 per cent of total registrations. Combined, these two basic factors—the possibility of deferment in the demand for housing and the relative fixity in its supply—contribute to the exaggerated fluctuations in residential building. Thus, during a period of recession, production may fall to extremely low levels and, with economic recovery, be stimulated much more markedly than in other industries.

Beyond the control of individual builders, these market characteristics have played important roles in the industry's development. In addition, certain characteristics of the product itself have served to shape the industry. Housing is a bulky and complex product; its production requires site work which makes for seasonal concentration of activity and changing place of operation; and buyers' tastes, varying site topography, and the number and kind of building materials restrict standardization. Although somewhat more amenable to builders' control, these features of the product together with the distinctive market characteristics have conditioned the structure, organization, and production processes of the industry.

**Structure and Organization** In his study, *American Housing,* Miles L. Colean provided a prewar benchmark for the residential construction industry. The loose organization of housebuilding stood in marked contrast with the greater integration of most other industries. Centralized control of operations from design to assembly was

absent generally from the residential building industry, although such control in varying degrees was characteristic of more mature industries. Only a few builders exercised the producer initiative fundamental to centralized control; these were the operative or speculative builders—those who determine the number and kind of houses to be produced prior to sale. By and large, custom building was dominant, with buyers determining the number and nature of units to be built before production was started. Manufacturers and suppliers of building materials tended not to specialize in products for houses; consequently, builders cut and adapted materials to buyers' plans. Labor, often firmly established, generally proved equally unyielding to technical change. A large share of the responsibility for building a house usually fell upon subcontractors who actually purchased much of the material and directed its installation. Subcontractors also provided most of the investment in plant and equipment required in the building process; builders themselves characteristically operated with small financial resources. To be sure, a few well-established operative builders provided a large portion or all of their own working capital, invested in land, and even supplied credit, equipment, and working capital to subcontractors. Most builders, however, relied heavily upon borrowed funds.

Typically, firms in the residential building industry were small. On the basis of a 72-city sample in 1938, the Bureau of Labor Statistics estimated that about two thirds of the 75,000 builders in the United States, who constructed approximately 167,000 urban single-family units, erected only one house each. Many of these were owner-builders and, as such, were "nonprofessionals." Omitting builders of one house a year—to reflect roughly the number of housebuilding firms—smallness was still characteristic of the industry. The average was just under five houses per builder. Excluding the 13 cities of the 72-city sample having a population of a half million or over in 1930, about 70 per cent of the new houses were constructed by builders of less than 10 houses per year. Even in the 13 largest cities, two fifths were constructed by builders of less than 15 houses in 1938. For the 72 cities as a whole, less than 5 per cent of the firms obtained permits for 25 houses or more per year, although they accounted for about 38 per cent of all houses. Since the sample was limited to city building permits and did not include suburban areas, there may be some tendency for these figures to understate builder size. However, a more extensive investigation in one metropolitan area revealed that the relative size distribution was changed little when the work of suburban builders was included, in addition to the suburban building of urban builders.

As might be expected, the scale of operation of large builders in big cities was generally much greater than that of the largest builder in smaller cities. Of the 13 largest cities in the 1938 sample, seven had builders of 100 or more houses a year; but only 6 of the 15 cities with population between 100,000 and 500,000 included builders of more than 25 houses. Among the smallest cities, builders of 5 to 9 houses a year were the largest operators. Denver (1930 population, 287,861) was among the nine cities of the 100,000 to 500,000 size class in which builders of 10 to 24 houses a year were the largest. The six per cent of Denver firms in this class erected about 18 per cent of all single-family houses in 1938. As evidence of the wide variation that existed between communities, Topeka (1930 population, 64,120) had about a fourth as many housebuilding firms as Denver; yet, in 1938, about 9 per cent of them built 10 to 24 houses and accounted for approximately 26 per cent of all one-family units.

Since they had to reach a broad market, large builders concentrated on the production of medium-priced houses, according to the 1938 survey. The cheapest houses usually were built by owner-builders or by subcontractors and craftsmen during off hours or between jobs; the most expensive houses were custom-built on contract. Operative builders, for the most part, were found among the large builders. However, not all large builders were operative builders producing houses in advance of sale. Only among builders of 10 or more houses in cities of 100,000 population or over were more than one half of the units erected on a speculative basis; builders of less than 10 houses did most of their work under contract, even in large cities. In cities of under 100,000 population, large builders had construction or sales contracts before starting construction in the majority of cases.

During the high building activity of the postwar period, widespread changes occurred in the number of builders, their size, and their type of organization. Reflecting the easy entry into the industry, the number of housebuilding firms in the United States increased to nearly 120,000 in 1949, according to retabulation of a 1951 Housing and Home Finance Agency-Bureau of Labor Statistics survey by Sherman J. Maisel in *Housebuilding in Transition*. In addition, it was estimated that almost 266,000 owner-builders constructed an equivalent number of houses, or about a third of the total. More than three fifths of the owner-built units were located in nonmetropolitan areas; in metropolitan areas, where

roughly two thirds of all house starts occurred in 1949, only about 18 per cent were built by "nonprofessionals." In terms of numbers, small builders continued to dominate the industry. As indicated by Table 1, nearly 116,000, or about 97 per cent, of the firms built less than 25 houses in 1949; 94 per cent of these small builders constructed less than 10 houses. Although the numerical importance of small builders had the effect of limiting the annual average production to about five houses per builder, the structure of the industry was modified by the increased prominence of large-scale builders. About 45 per cent of the 1949 housebuilding was accomplished by roughly 3,030 medium and 720 large firms, building from 25 to 99 and 100 or more houses a year, respectively. All of the large and nearly all of the medium-sized firms were located in metropolitan areas, where they accounted for less than 5 per cent of the firms but for more than 55 per cent of all new houses. Some appreciation for the magnitude of the operations of large builders is suggested by the fact that 720 firms in 1949 erected about 132,200 houses, while during 1933, the low mark in residential construction, all builders started only 93,000 dwelling units.

Significant changes in the type of operation of housebuilding firms accompanied their growth in size. Relative to previous experience, more firms were engaged in operative building in 1949—that is,

Table 1. COMPOSITION OF HOUSEBUILDING INDUSTRY, 1949
(Per cent distribution)

| Firms Building | Firms | | | Houses | | |
|---|---|---|---|---|---|---|
| | United States | Metro. Areas | Non-metro. Areas | United States | Metro. Areas | Non-metro. Areas |
| 1 to 9 houses | 91 | 87 | 96 | 40 | 28 | 85 |
| 10 to 24 houses | 6 | 7 | 4 | 14 | 15 | 10 |
| 25 to 99 houses | 3 | 4 | * | 21 | 25 | 5 |
| 100 houses or over | 1 | 1 | 0 | 24 | 31 | 0 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 |

Percentages may not always add to 100 because of rounding.
*Less than 0.5 per cent.
SOURCE: Housing and Home Finance Agency and Bureau of Labor Statistics jointly, and Housebuilding in Transition.

in determining the quantity and nature of production prior to sale. On the other hand, building on contract was reduced in scope. The proportion of operatively built houses is recorded in Table 2. Operative builders accounted for more than 70 per cent of all new houses nationally and for about three fourths of those in metropolitan areas; in areas of lower population concentration, contract building was relatively more important. Although only about half of the starts among builders of less than 10 houses a year were built for sale without contract, medium and large firms operated primarily on a speculative basis. This marked association between firm size and type of operation suggests a relationship between volume production and mass marketing in residential construction similar to that in large scale manufacturing industries.

Among metropolitan areas, where most of the medium and large operative builders were located, there were wide variations in the proportion of houses built on a speculative basis. According to a survey of one-family houses in 15 metropolitan areas during the last half of 1949 by the Bureau of Labor

Table 2. HOUSES BUILT BY OPERATIVE BUILDERS AS A PER CENT OF ALL HOUSES, 1949

| Firms Building | United States | Metropolitan Areas |
|---|---|---|
| 1 to 9 houses | 49 | 51 |
| 10 to 24 houses | 73 | 68 |
| 25 to 99 houses | 84 | 84 |
| 100 houses or over | 94 | 94 |
| All houses | 71 | 75 |

SOURCE: Housing and Home Finance Agency and Bureau of Labor Statistics jointly, and Housebuilding in Transition.

Statistics, the range for the proportion of operatively built as a per cent of all houses extended from 46 per cent in Pittsburgh to 85 per cent in Detroit and Miami. In Denver, which ranked near the upper limit, about four fifths of all houses were operatively built. By and large, operative building was relatively more prominent among the faster growing metropolitan areas.

To the rather sketchy information concerning the organization of the housebuilding industry, *Housebuilding in Transition* has added the findings of a 1949 survey in the San Francisco area. Although limited to one area, the descriptive facts probably were applicable in general terms to other metropolitan areas. The subcontracting system persisted at the base of the building organization, and builders continued to perform the functions of management in a variety of ways. With the growth of the large operative builder, however, there emerged important changes. The builder concentrated on organizational and financial functions, with the construction superintendent responsible for technical details. Multiple business entities were common. Typically, separate corporations for building, land development, and building material supply were operated as closely associated units. In order to gain some of the value appreciation of their tract developments, a few builders developed complete communities including multi-unit dwellings and commercial facilities. Large-scale operations permitted the builder to employ more efficient methods of production; and, since he could not hold a relatively large force of

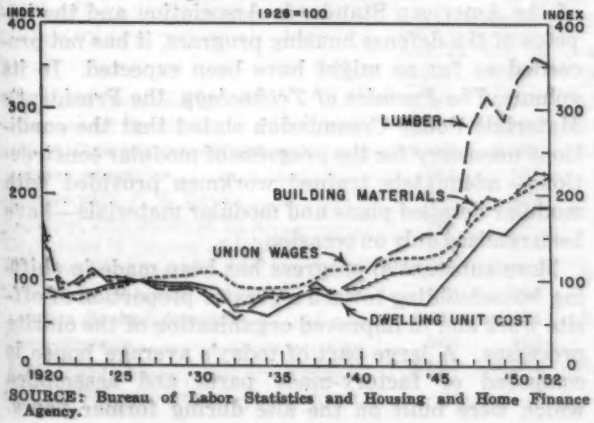
skilled workers, it was in the builder's interest to adopt such methods. Commonly, a builder specialized his use of labor by dividing his labor force into crews which concentrated on particular operations. With the adaptation of various kinds of equipment to house construction, the large builder was able to obtain efficiencies inherent in increased mechanization, since he could spread the initial cost of such equipment over a large number of units. Scheduling of crews in proper work coordination and increased mechanization required greater emphasis on management and production control than was found among smaller firms. Some of the most significant changes accompanying mass production were in purchasing. A supply system based on direct purchase, or on purchase through special brokers or wholesalers, was developed, entailing the delivery of materials from the mill. With subcontractors as well, the large builder was able to develop more satisfactory and efficient relationships for both himself and the contractors.

Among builders of 1 to 24 houses a year, there were fewer changes. More than three fourths of the small builders worked most of the day on the job as carpenter and foreman. Unincorporated proprietorships and partnerships were the most common forms of business organization. Most of the construction of small builders was on scattered lots or on limited groups of adjacent lots. Given his limited volume of production, the average small builder employed a three-man unspecialized, but highly skilled, crew. He was not able to obtain quantity discounts on material purchases. With respect to subcontractors, his problem rested more in lack of time for proper coordination and control than in inferior bargaining strength. By and large, the small builder adopted technical innovations of large builders and mechanized his operations to the extent consistent with his volume.

The medium-sized firm was too large to permit direct and individual control but not large enough to adopt all the mass production techniques of large builders, according to the 1949 survey. Real estate or land development firms, controlled by the builder, were affiliated with half the building firms. The majority of medium-sized builders built on speculation in tract developments. The beginning stages of work crew specialization were apparent; wholesale and quantity discount buying generally prevailed; and strong bargaining power relative to subcontractors was commonplace. The amount of equipment was not proportionately greater than among small builders and was confined largely to more and larger power tools.

**Recent Cost History** In addition to introducing important modifications in structure and organization, the high level of postwar production was associated with major changes in costs. As may be seen in Figure 3, the movement of building material prices as well as union wages in the building trades throughout the 1940's, and especially after 1945, was strongly upward. Reflecting the characteristically broad movements of raw material prices in addition to higher logging and milling wages and reduced accessibility of timber, lumber prices displayed the most pronounced increase. From 1940 to 1951, the year of peak lumber prices, the index rose 250 per cent. Largely because of the importance of lumber in the building materials index, the latter increased much more rapidly than did wholesale prices generally. The average cost of one-family houses actually built was estimated at $4,075 in 1940 and $8,558 in 1950. Because of variations in the size and design composition of houses and in the size and type of project, as well as changes in the structure of material and labor costs, it should be recognized that these estimates do not represent the costs of a typical house. In Figure 3, dwelling unit cost was the average of all dwelling units started, since estimates for single-family structures are not available prior to 1940. Although generally slightly lower in dollar value, average dwelling unit cost increased in about the same proportion as the cost of a single-family unit over the decade, 1940 to 1950. Apparently the average cost of one-family units increased slightly less than building material prices. Between 1940 and 1950, the former rose about 110 per cent, while the building materials index increased approximately 120 per cent. In part, changes in the product and methods of production were responsible for the differential movement between the two indexes.

Figure 3. BUILDING COSTS




SOURCE: Bureau of Labor Statistics and Housing and Home Finance Agency.

**The Product** In terms of type of structure the single-family unit is numerically much more significant than two- or multi-family units. During the past 12 years, the proportion of one-family units relative to all privately owned new dwelling units ranged from 74 per cent in 1943 to record highs of 89 per cent in 1945 and 1946; in 1952, the ratio was up to 88 per cent, the highest since 1947. The Housing and Home Finance Agency's "Materials Use Survey" of one-family dwellings built during the first half of 1950 showed some general changes in structural design relative to 1940, as revealed by a Federal Housing Administration study, the results of which were tabulated along with the 1950 data. Only broad comparisons are valid since the 1950 figures reflect differences in characteristics of non-FHA houses, whereas the 1940 data do not. The one-story house was much more prominent in 1950, when it accounted for about 86 per cent of all new structures, than in 1940. With only about two fifths of all houses having either partial or full basements in 1950, this type of construction was markedly smaller than in 1940. Another fifth contained utility rooms, but the remaining two fifths of houses in 1950 had neither basement nor utility room. Measured in terms of square feet of area, the 1950 house was considerably smaller than that of 1940, as may be seen in Table 3.

Table 3. HOUSE SIZE

| | 1940 U. S. Average | First half of 1950 U. S. Average |
|---|---|---|
| | *Square Feet* | *Square Feet* |
| All houses | 1,177 | 983 |
| 1-story houses | 1,009 | 941 |
| 1½- and 2-story houses | 1,523 | 1,252 |

SOURCE: Housing and Home Finance Agency and Federal Housing Administration.

Accompanying smaller floor area, production shifted relatively from five, six, and more room houses in favor of four-room structures. Other items, such as garages and fireplaces, also were more commonly lacking in 1950 dwellings. With house construction by large builders more important in 1950, a large share was of standard design and was located on outlying land in tract developments.

**Technological Developments** Under the stimulus of high level production, rising costs, and the increased prominence of larger speculative builders, changes in the production process of housebuilding became more dynamic. Some developments in the organization of the firm for production associated with increased scale of operation were recognized in an earlier section. Building houses of standard design in tract developments, the larger builders organized specialized work crews to perform repetitive tasks from one unit to the next. Mechanization of the building processes became more widespread as larger firms were followed, where their scale permitted, by medium-sized and small builders in adopting machines and tools applicable to housebuilding, as exemplified by electric handsaws, bench saws, mechanical trenchers, and power drills and planes. Other technological developments, relating to materials and to on-and-off-site construction, in house production also have been in progress for some time. Certain aspects of these developments received more attention during recent years than did others. In *Production of New Housing*, Leo Grebler points out that the use of relatively new materials, such as gypsum and other types of wallboard, plywood, insulating materials, plumbing and heating assemblies, and prefinished flooring, has been growing steadily. There is doubt, however, whether real progress has been made recently toward greater dimensional standardization of materials by manufacturers. Recognizing that materials of coordinated sizes would fit together easily and efficiently, efforts to reduce the large number of material sizes and variations began about the time of World War I. Through its Simplified Practice Recommendations, the National Bureau of Standards has contributed much research to parts standardization since the 1920's. During the twenties also, the work of Albert F. Bemis led to the concept of coordination of building materials in standard dimensions. This involved the application of the modular principle — the use of a standard unit to regulate proportions — in units of four inches, or multiples thereof, permitting the combination of materials with substantially reduced cutting and modification. Although the modular principle gained some recognition during the thirties and broader acceptance during World War II, largely through the efforts of the American Standards Association and the impetus of the defense housing program, it has not proceeded as far as might have been expected. In its volume, *The Promise of Technology*, the President's Materials Policy Commission stated that the conditions necessary for the progress of modular construction — adequately trained workmen provided with modular detailed plans and modular materials—have been realized only on occasion.

More substantial progress has been made in shifting housebuilding toward a greater proportion of off-site work and in improved organization of the on-site processes. A large part of today's average house is composed of factory-made parts and assemblies which were built on the site during former years.

Listing parts, such as manufactured cabinets, windows, doors, stairs, and kitchen and bathroom utility cores, serves to indicate the extent to which the building of the conventional house has moved into the factory. Prefabrication of the structural elements of a house, the walls, ceilings, roofs, and floors, represents a further extension of the trend toward factory production. In ascending order of their degree of industrialization, most prefabricators were grouped as producers of panelized wood frame houses, of stressed skin plywood houses, and of machine-made metal houses by Burnham Kelly in *The Prefabrication of Houses*. Since it is generally indistinguishable from typical site-built houses of larger builders, the panelized wood prefabricated house has met with greater consumer acceptance and with less building code difficulties than the other types. Many of the larger operative site-builders have adopted work organizations similar to those of the factory prefabricator of panelized wood houses. Site fabrication, either actually on the site or in near-site shops, of major assemblies, such as walls, roofs, door and window frames, and plumbing stacks, have become increasingly common with the larger builders. Even smaller on-site builders have adopted some of these techniques, especially the precutting of framing parts.

Although the future volume of new house construction may well fall below the records of recent years, the larger operative builders have undoubtedly introduced some lasting changes into the structure, organization, and production processes of the industry. There remain, however, many unsettled problems in house design and materials coordination, production management, and work organization which will require careful attention in the future.

## MEMBER BANK CREDIT

Time deposits at all District member banks increased 79 million dollars over the first eight months of the current year, continuing the expansion of the preceding two-year period. The present rate, if maintained for the remaining months of this year, will bring the total growth for 1953 to approximately 120 million dollars, 20 per cent greater than either 1951 or 1952. Country banks in the District have registered somewhat larger gains in time deposits since 1950 than have city banks, and a long-standing relationship was reversed recently when the volume of these deposits at country banks moved ahead of the total at reserve cities. Between December 31, 1950, and August 26, 1953, time deposits at country banks increased 165 million dollars, or 51.6 per cent, while at city banks, the rise was 111 million dollars, or 30.5 per cent. This brought the total on August 26 to 485 million and 475 million for country and reserve city banks, respectively.

Loans at country banks in the District increased 15 million dollars during the four weeks ended August 26, extending the June-July expansion of 59 million dollars. The increase in August probably represents, in large measure, additional loans to farmers on this year's wheat crop. Most of the new lending was recorded in Kansas and Colorado and may reflect the later harvest in these areas than in Oklahoma and southern Kansas, where expansion was heavier in earlier weeks of the summer.

Total loan volume at District reserve city banks increased 7 million dollars over the four-week period ended August 26. However, the growth appeared mainly in loans to banks and therefore is indicative of a temporary redistribution of reserves among

SELECTED ITEMS OF CONDITION OF TENTH DISTRICT MEMBER BANKS
(In millions of dollars)

| | All Member Banks | | | Reserve City Banks | | | Country Banks | | |
|---|---|---|---|---|---|---|---|---|---|
| | Aug. 26 1953 | July 29 1953 | Aug. 27 1952 | Aug. 26 1953 | July 29 1953 | Aug. 27 1952 | Aug. 26 1953 | July 29 1953 | Aug. 27 1952 |
| Loans and investments | 5,464 | 5,458 | 5,320 | 3,021 | 3,025 | 2,968 | 2,443 | 2,433 | 2,352 |
| Loans and discounts | 2,216 | 2,194 | 2,216 | 1,258 | 1,251 | 1,231 | 958 | 943 | 985 |
| U. S. Government obligations | 2,685 | 2,707 | 2,569 | 1,447 | 1,462 | 1,431 | 1,238 | 1,245 | 1,138 |
| Other securities | 563 | 557 | 535 | 316 | 312 | 306 | 247 | 245 | 229 |
| Reserve with F. R. Bank | 904 | 909 | 926 | 549 | 567 | 561 | 355 | 342 | 365 |
| Balances with banks in U. S. | 651 | 635 | 655 | 277 | 267 | 271 | 374 | 368 | 384 |
| Cash items in process of collection | 300 | 288 | 310 | 278 | 268 | 290 | 22 | 20 | 20 |
| Gross demand deposits | 5,921 | 5,911 | 5,945 | 3,390 | 3,385 | 3,384 | 2,531 | 2,526 | 2,561 |
| Deposits of banks | 925 | 930 | 943 | 861 | 867 | 878 | 64 | 63 | 65 |
| Other demand deposits | 4,996 | 4,981 | 5,002 | 2,529 | 2,518 | 2,506 | 2,467 | 2,463 | 2,496 |
| Time deposits | 960 | 953 | 845 | 475 | 473 | 432 | 485 | 480 | 413 |
| Total deposits | 6,881 | 6,864 | 6,790 | 3,865 | 3,858 | 3,816 | 3,016 | 3,006 | 2,974 |
| Borrowings | 71 | 71 | 95 | 49 | 65 | 86 | 22 | 6 | 9 |

banks rather than an increase in credits granted to business, agriculture, or individuals. On the basis of data furnished by weekly reporting banks, District reserve city banks increased business and real estate loans only slightly during August, while reducing loans to farmers. Consumer credits showed virtually no change for the period under review.

Holdings of United States Government securities were reduced 22 million dollars between July 29 and August 26, with a major part of the liquidation occurring at Kansas City, Missouri, banks. Moderate increases in holdings of non-Government issues in other District areas partially offset this decline in Government portfolios, and total securities held by all District member banks showed a reduction of 16 million dollars for the four weeks.

## DEPARTMENT STORE TRADE

Dollar volume of sales at reporting department stores in this District in August was 5 per cent less than that of a year ago, but sales in the first three weeks of September were only 2 per cent below those of a year earlier. Sales increased slightly more than usual during August, and the seasonally adjusted index of daily average sales advanced from 111 per cent of the 1947-49 average in July to 112 per cent in August. Otherwise, the general level of sales still was low in comparison with an average of about 115 per cent in the first half of the year.

The rapid rise in department store inventories which began in the second quarter of the year leveled off during August, and the seasonally adjusted index of department store stocks was unchanged in August from the peak level of 146 per cent of the 1947-49 average reached in July. Stocks of merchandise on hand at the end of August were 14 per cent larger in value than a year earlier, while the volume of outstanding orders continued 9 per cent lower than a year ago.

### DEPARTMENT STORE SALES AND STOCKS

| Metropolitan Area, Except as Noted | Sales: Aug. 1953 comp. to Aug. 1952 | Sales: 8 Mos. 1953 comp. to 8 Mos. 1952 | Stocks: Aug. 31, 1953 comp. to Aug. 31, 1952 |
|---|---|---|---|
| | *Per cent increase or decrease* | | |
| Denver, Colo. | −6 | 0 | +13 |
| Pueblo, Colo. | −10 | +6 | +26 |
| Hutchinson, Kans. (city) | −3 | +4 | * |
| Topeka, Kans. | −1 | +4 | * |
| Wichita, Kans. | −5 | +3 | +17 |
| Joplin, Mo. (city) | +5 | +4 | +7 |
| Kansas City, Mo. (city) | −6 | +2 | +11 |
| St. Joseph, Mo. | −8 | 0 | * |
| Omaha, Nebr. | −2 | +3 | * |
| Enid, Okla. (city) | −8 | −3 | * |
| Oklahoma City, Okla. | −2 | 0 | +9 |
| Tulsa, Okla. | −2 | +4 | +22 |
| All other areas and cities | −5 | +2 | +15 |
| District | −5 | +2 | +14 |

*Not shown separately but included in District total.

### BANK DEBITS

| | Aug. 1953 | 8 Mos. 1953 | Change from '52: Aug. | Change from '52: 8 Mos. |
|---|---|---|---|---|
| | *Thousand dollars* | | *Per cent* | |
| COLORADO | | | | |
| Colo. Springs | 57,300 | 436,942 | +5 | +2 |
| Denver | 741,691 | 6,088,738 | +3 | +6 |
| Gr. Junction | 19,761 | 162,988 | +14 | +15 |
| Greeley | 24,884 | 214,651 | −21 | −4 |
| Pueblo | 57,189 | 450,823 | +14 | +13 |
| KANSAS | | | | |
| Atchison | 11,276 | 81,890 | +12 | +1 |
| Dodge City | 12,843 | 114,540 | −25 | * |
| Emporia | 10,517 | 85,624 | +1 | −4 |
| Great Bend** | 11,963 | — | — | — |
| Hutchinson | 35,820 | 339,310 | −23 | −5 |
| Independence | 9,665 | 77,541 | +11 | +9 |
| Kansas City | 87,841 | 735,337 | +10 | +7 |
| Lawrence | 13,743 | 117,219 | +1 | +8 |
| Manhattan | 12,591 | 96,921 | +11 | +1 |
| Parsons | 11,215 | 87,882 | +3 | −2 |
| Pittsburg | 11,803 | 112,269 | −9 | +7 |
| Salina | 35,989 | 299,611 | −11 | −4 |
| Topeka | 110,050 | 896,782 | +8 | +7 |
| Wichita | 319,720 | 2,723,087 | +1 | +4 |
| MISSOURI | | | | |
| Independence | 14,348 | 122,455 | +8 | +7 |
| Joplin | 32,182 | 262,321 | +3 | +2 |
| Kansas City | 1,279,238 | 10,880,207 | +9 | +7 |
| St. Joseph | 97,589 | 814,132 | −5 | −4 |
| NEBRASKA | | | | |
| Fremont | 21,260 | 168,848 | +7 | +3 |
| Grand Island | 27,794 | 245,648 | −6 | −1 |
| Hastings | 16,966 | 139,534 | −3 | +10 |
| Lincoln | 95,163 | 804,487 | +2 | +8 |
| Omaha | 612,117 | 5,010,570 | +2 | +2 |
| NEW MEXICO | | | | |
| Albuquerque | 137,184 | 1,083,694 | +17 | +19 |
| Santa Fe | 40,545 | 287,035 | +12 | +8 |
| OKLAHOMA | | | | |
| Bartlesville | 201,630 | 1,566,063 | +3 | +4 |
| Enid | 32,464 | 289,940 | −4 | −9 |
| Guthrie | 4,975 | 40,322 | −4 | −2 |
| Lawton | 18,303 | 158,505 | −12 | −7 |
| Muskogee | 26,132 | 225,049 | +2 | 0 |
| Norman | 8,453 | 79,360 | +2 | +14 |
| Oklahoma City | 404,343 | 3,402,096 | +8 | +4 |
| Okmulgee | 7,657 | 62,951 | +12 | +9 |
| Ponca City | 22,164 | 178,530 | −2 | +1 |
| Tulsa | 703,154 | 5,730,462 | +13 | +10 |
| WYOMING | | | | |
| Casper | 49,661 | 371,137 | +13 | +5 |
| Cheyenne | 34,225 | 267,900 | +6 | +6 |
| District, 41 cities | 5,471,445 | 45,313,401 | +6 | +6 |
| U. S., 345 cities | 134,589,000 | 1,153,441,000 | +10 | +8 |

*Percentage change not computed; new reporting center beginning May, 1952.
**Not included in totals; new reporting center beginning July, 1953.